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March 19, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **PROJECT NEW HOPE – A DEPARTMENT OF PUBLIC HEALTH
HIV/AIDS CONTRACT SERVICE PROVIDER – FISCAL REVIEW**

We completed a fiscal review of Project New Hope (PNH or Agency). The County Department of Public Health (DPH) Division of HIV and STD Programs (DHSP) contracts with PNH, a non-profit organization, to provide interim housing to homeless individuals living with HIV/AIDS, and residential care services for chronically ill individuals afflicted with HIV/AIDS. Our review covered a sample of transactions from March 2010 through July 2011.

Our review was intended to determine whether the Agency provided services to eligible clients, and spent Program funds in accordance with their County contract. We also evaluated the Agency's accounting records, internal controls, and compliance with the contract and other applicable guidelines.

At the time of our review, PNH had two fee-for-service contracts with DHSP. DHSP paid the Agency approximately \$2.2 million from March 2010 through July 2011. The Agency provides services to individuals in the Third, Fourth, and Fifth Supervisorial Districts.

Results of Review

PNH provided services to eligible individuals, recorded and deposited payments from DHSP timely, and maintained the required personnel records. However, the Agency did not comply with all of the County contract requirements. Specifically, PNH:

- Did not have documentation for the percentages used to allocate \$55,668 in administrative costs charged the DHSP Program from March 2010 to February 2011.

PNH's response (attached) indicates that they will work with DHSP to correctly re-allocate the costs, and provide supporting documentation.

- Charged the DHSP Program \$4,931 in unallowable grant writer fees, which were not related to the DHSP Program services.

PNH's response indicates that they will repay DPH \$4,931.

- Has not updated their patient fee schedule to reflect changes in the federal poverty income level since 2006.

PNH's response indicates that they have now updated their fee schedule, and will ensure that it is updated as the federal poverty income level changes.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with PNH and DHSP. The Agency's attached response indicates that they agree with our findings and recommendations.

We thank PNH for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:AA

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, M.D., M.P.H., Director, DPH
David Nahas, President, Board of Directors, Project New Hope
Brigitte Tweddell, Executive Director, Project New Hope
Public Information Office
Audit Committee

**PROJECT NEW HOPE
HIV/AIDS CARE SERVICES
MARCH 2010 TO JULY 2011**

ELIGIBILITY/SERVICES BILLED

Objective

Determine whether Project New Hope (PNH or Agency) provided services to clients who met the Department of Public Health (DPH) Division of HIV and STD Programs (DHSP) Program eligibility requirements. Also, determine the accuracy of PNH's billings under the fee-for-service contracts.

Verification

We reviewed the case files for 15 clients who received services during February 2011 and July 2011 for documentation to confirm their eligibility for DHSP services. We also compared 406 service units billed to PNH's supporting documentation.

Results

PNH had adequate documentation to support the clients' eligibility, and the service units billed. However, the Agency has not updated their sliding fee schedule, used to determine what clients should pay for services, to reflect changes in the federal poverty income level since 2006.

Recommendation

1. PNH management update the sliding-fee schedule annually, and submit it for approval by DHSP.

CASH/REVENUE

Objective

Determine whether PNH had adequate controls to ensure cash receipts and revenue were recorded in the Agency's financial records properly, cash receipts were deposited into the Agency's bank account timely, and bank account reconciliations were reviewed and approved by Agency management.

Verification

We interviewed the Agency's personnel, and reviewed their financial records and July 2011 bank reconciliation.

Results

PNH recorded revenue in their financial records properly, deposited DHSP payments into the Agency's bank account timely, and prepared monthly bank reconciliations appropriately.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether the Agency prepared its Cost Allocation Plan in compliance with the County contract, and used the Plan to allocate shared program costs appropriately.

Verification

We reviewed PNH's Cost Allocation Plan, and a sample of shared costs the Agency incurred from April 2010 through February 2011.

Results

PNH's Cost Allocation Plan was prepared in compliance with the County contract. However, administrative costs were not appropriately charged to the DHSP Program, as discussed in the Expenditures section of this report below.

Recommendation

See Recommendation 3 below.

EXPENDITURES**Objective**

Determine whether expenditures charged to the DHSP Program were allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, and reviewed financial records for 26 non-payroll expenditures, totaling \$64,454, that the Agency charged to the DHSP Program from April 2010 through February 2011.

Results

PNH inappropriately charged \$20,119 (31%) of the \$64,454 in non-payroll expenditures reviewed. Specifically, PNH allocated \$15,188 for administrative costs (accounting, audit, insurance, and telephone) without any documentation on how the allocation percentages were calculated. We also noted that, between March 2010 and February 2011, PNH charged the DHSP Program an additional \$40,480 in administrative costs. PNH needs to review and re-allocate all \$55,668 (\$15,188 + \$40,480) in administrative costs reviewed, provide DPH with supporting documentation of their allocation methodology, and repay DPH for any overbilled amounts. In addition, PNH charged the DHSP Program \$4,931 in unallowable grant writer fees, which were not necessary to provide the services required by the County contract.

Recommendations**PNH management:**

2. Repay DPH \$4,931 in grant writer fees.
3. Review and re-allocate the \$55,668 (\$15,188 + \$40,480) in administrative costs, provide DHSP with supporting documentation, and repay DPH for any overbilled amounts.
4. Maintain documentation to support allocation percentages.

PAYROLL AND PERSONNEL**Objective**

Determine whether PNH charged payroll costs to the DHSP Program appropriately, and maintained personnel files as required.

Verification

We traced the payroll costs for seven employees from June 2011, totaling \$24,196, to the Agency's payroll records and time reports. We also reviewed the personnel files for DHSP Program staff.

Results

PNH appropriately charged payroll costs to the DHSP Program, and had personnel files as required by the County contract.

Recommendation

None.

COST REPORTS

Objective

Determine whether the Agency's Cost Reports reconciled to the accounting records.

Verification

We traced the Agency's Cost Reports to their accounting records for February 2011.

Results

PNH's Cost Reports reconciled to their accounting records.

Recommendation

None.

Project New Hope

February 3, 2012

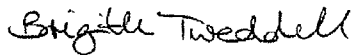
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Auditor-Controller
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Subject: Response to Draft Audit Report- HIV/AIDS Service Contract Provider- Fiscal Review

Enclosed for your review is the response to the fiscal audit covering March 2010 to July 2010. We hope you find our response satisfactory and thank your staff for their support during the audit process.

Please feel free to contact me at 213-250-9481 ext. 11 or via e-mail at btweddell@projectnewhope.org should you have any questions or concerns regarding this response.

Warm regards,



Brigitte Tweddell
Executive Director
Project New Hope

Eligibility/Services billed:

Recommendation:

PNH update the sliding fee- schedule annually, and submit it for approval by DHSP.

Response:

PNH has updated the sliding-fee schedule to the current federal poverty incomes and will continue to adjust these numbers as soon the federal government guidelines change. PNH will submit the adjusted fee schedule to DHSP for review and approval prior to implementation.

Cost Allocation Plan:

Recommendation:

- 1: Repay DPH \$ 4,931.
- 2: Review and reallocate \$55,668 (\$15,188 & \$40,480) in administrative costs, provide DHSP with supporting documentation, and repay DPH for any overbilled amounts.
- 3: Maintain documentation to support allocation percentages.

Response:

- 1: PNH agrees to repay DPH \$ 4,931 for grant writer costs that were used to pay for the RFP 2011 as the grant was written and charged during the 2010 fiscal year.
- 2: PNH will contact the finance personnel at DHSP to ask for Technical Assistance in an effort to correctly allocate these costs and eliminate this finding. PNH will send the adjusted allocations with supporting documentation to DHP once completed.
- 3: PNH will maintain documentation to support allocation percentages as outlined by the contract requirements.